

**MINUTES OF THE REGULAR MEETING OF THE
ARIZONA STATE RETIREMENT SYSTEM BOARD**

**HELD ON
Friday, January 21, 2000
9:00 A.M., M.S.T.**

The Arizona State Retirement System (ASRS) Board met in the 10th Floor Board Room of the ASRS office at 3300 North Central Avenue, Phoenix, Arizona 85067-3910. Mr. James Jenkins, Chairman, Arizona State Retirement System Board called the meeting to order at 9:00 A.M., M.S.T.

The meeting was teleconferenced to the ASRS Tucson office, 7660 East Broadway Boulevard, Suite 108, Tucson, Arizona 85710-3776.

1. Call to Order; Roll Call

Present: Mr. James Jenkins, Chairman
Dr. Chuck Essigs, Vice Chairman
Mr. Jim Bruner
Dr. Merlin DuVal
Mr. Alan Maguire
Mr. Norman Miller
Mr. Karl Polen
Mr. Ray Rottas

A quorum was present for the purpose of conducting business.

2. Approval of Minutes of the December 7, 1999, Special Meeting of the Arizona State Retirement System Board

Motion: Mr. Ray Rottas moved to approve the minutes of the December 7, 1999, Special Meeting of the Arizona State Retirement System Board.

Dr. Chuck Essigs seconded the motion.

By a vote of 8 in favor, 0 opposed, 0 abstentions, 0 excused, the motion was approved.

3. Board Approval of Consent Schedule

Motion: Mr. Jim Bruner moved that the ASRS Board approve the Retirements, Refunds, and Death Benefits; System Transfers; and Applications and Agreements between Employers and the Arizona State Retirement System.

Mr. Norman Miller seconded the motion.

By a vote of 8 in favor, 0 opposed, 0 abstentions, 0 excused, the motion was approved.

4. Presentation, Discussion and Appropriate Action Regarding the ASRS Legislative Board Committee Meeting on Thursday, January 6, 2000 and a Review of ARS §38-714(e), Statutory Restrictions on Legislative Advocacy Regarding ASRS Benefit Changes

Mr. Jim Bruner, Legislative Board Committee Chairman explained that the purpose of the Committee meeting was to look at some of the legislation that had been pre-filed as well as some of the legislation that was likely to be filed. The Committee also received a detailed overview from Mr. Fred Stork, Assistant Attorney General, as to what the ASRS Board members can and cannot legally do with regard to any proposed legislation. Mr. Bruner requested that Mr. Stork provide the Board an overview from a statutory standpoint what restrictions are imposed upon the members of the Board.

Mr. Fred Stork referred the ASRS Board to ARS §38-714(e); the statute that the legislature has enacted that defines the duties and responsibilities of the Board.

Mr. Tom Finnerty, ASRS Legislative liaison, gave a brief overview of the legislation that is likely to have an impact on the ASRS. Mr. Finnerty explained that out of 23 retirement bills, 10 bills that directly effect the ASRS have been introduced:

- HB 2007 retirement; legislative employees option transfer
By Representative Richard Kyle
- HB 2008 state employees; retirement contributions; withdrawal
By Representative Richard Kyle
- HB 2010 ASRS; benefit formula; graded multiplier
By Representative Debra Brimhall
- HB 2011 ASRS; benefit formula; 2.2 multiplier
By Representative Debra Brimhall
- HB 2238 ASRS; benefit increases
By Representative Mike Gardner

- HB 2248 state employees; retirees; health insurance
By Representative Debra Brimhall
- HB 2306 ASRS; public service credit; purchase
By Representative Barry Wong
- HB 2531 retirees; health insurance subsidy; increase
By Representative Verkamp & 4
- SB 1128 retirement; lump sum benefit option
By Senator Edward Cirillo
- SB 1320 ASRS; benefits; increases
By Senator Kenneth Bennett

5. Presentation, Discussion and Appropriate Action Regarding the Actuarial Valuation of the Arizona State Retirement System for the Period Ending June 30, 1999

Mr. Michael Carter, Actuary, Watson Wyatt Worldwide, gave a presentation regarding the Actuarial Valuation of the ASRS for the period ending June 30, 1999.

Motion: Mr. Ray Rottas moved to approve the Actuarial Valuation for the period ending June 30, 1999 as presented by Michael Carter of Watson Wyatt Worldwide.

Dr. Chuck Essigs seconded the motion.

By a vote of 8 in favor, 0 opposed, 0 abstentions, 0 excused, the motion was approved.

Mr. Jim Bruner was excused at 9:43 a.m.

6. Presentation, Discussion and Appropriate Action Regarding a Board Recommendation to the Legislature Relating to Utilizing an Entry Age Normal versus a Projected Unit Credit Actuarial Methodology to Evaluate the ASRS Assets

Mr. Michael Carter, Watson Wyatt Worldwide, gave a presentation regarding utilizing an entry age normal versus a projected unit credit actuarial methodology to evaluate the ASRS assets.

Motion: Mr. Karl Polen moved that Mr. Gilbertson report to Senator Cirillo that the Board would support switching to Entry Age Normal with a phase in period of a 10 to 20 year range.

Mr. Alan Maguire seconded the motion.

By a vote of 7 in favor, 0 opposed, 0 abstentions, 1 excused, the motion was approved.

7. Presentation, Discussion and Appropriate Action Regarding the ASRS Salary Administration Plan for Senior Management

Mr. Norman Miller, Chairman of the Executive Compensation Board Committee, reported that the Committee met on Monday, January 10, 2000 to discuss the salary administration plan for senior management. The Committee discussed at length the appropriate salaries for the Director, Deputy Director for Internal Operations and Chief Investment Officer. The Committee looked at information regarding comparable salaries for those positions with other public funds of comparable size, averages, medians, as well as the compensation schedule of the State of Arizona for employees at a comparable management level.

Mr. Rottas expressed that he would feel more comfortable making a decision if he had all of the information from the Executive Compensation Board Committee to include the minutes of the Executive session.

Original Motion: Mr. Miller moved that the Board approve the ASRS Salary Administration Plan for Senior Management as recommended by the Executive Compensation Board Committee. The recommendation was as follows:

- Mr. Anthony Guarino, Deputy Director for Internal Operations, at a base of \$85,701 and Pay for Performance (PFP) of \$8,570.
- Mr. Paul Matson, Chief Investment Officer, at a base of \$99,948 and a PFP of \$9,995.
- LeRoy Gilbertson, Director, at a base of \$108,040 and PFP of \$10,804.

Dr. Chuck Essigs seconded the motion.

Motion to Table: Mr. Rottas moved that the discussion of the salaries for the Senior Management staff be tabled until the next meeting.

Mr. Alan Maguire seconded the motion.

By a vote of 2 in favor, 5 opposed, 0 abstentions, 1 excused, the motion was defeated.

Motion: By a vote of 5 in favor, 2 opposed, 0 abstentions, 1 excused, the original motion was approved.

8. Director's Report

Mr. LeRoy Gilbertson discussed the increase in volume of telephone calls to the Member Services Center. He explained that any time the legislature goes into session, the amount of calls rise due to added questions and concerns. Mr. Gilbertson said that, as the membership becomes more aware of what is going on, they call the ASRS to get answers to more complex questions. This is a very time consuming process that increases workload to the

employees. He voiced his concern to the Board over employee burnout in the member services phone bank.

Mr. Polen expressed his concern over the error rate in the service purchase letters. He inquired as to whether or not there is a linkage between pay and zero mistakes. Mr. Anthony Guarino, Deputy Director for Internal Operations, attributed the month's error rate to the fact that the ASRS doubled its typical production rate from 475 the previous month (November) to over 800 for the month of December. He explained that each employee has a section in his/her planner pertaining to quality and reliability of service, production and member satisfaction. Dr. DuVal requested that a post audit be done on cost calculations that have been sent out as well as a determination of the error rate. He requested to know how much this would cost and what the workload would be by the next Board meeting.

9. Board Requests for Agenda Items.

There were no Board requests for agenda items.

10. Call to the Public.

Mr. Bill Peltier, present in the Tucson public, expressed his opinion on the automated phone system. He suggested adding major questions and topics to the automated system in order to lessen call volume for ASRS employees. He also had a question with regard to HB 2010 and whether an additional 5% to 20% would be added on top of the July rate or if it is including the July rate.

There were no requests to speak from the Phoenix public.

11. The next Regular ASRS Board meeting is scheduled for Friday, February 18, 2000, at 9:00 a.m. in the 10th Floor Board Room of the ASRS Office, 3300 North Central Avenue, Phoenix, Arizona 85012.

12. Adjournment of the ASRS Board.

Mr. James Jenkins, Chairman adjourned the January 21, 2000, regular meeting of the ASRS Board at 11:32 a.m.

Respectfully submitted,

Stephanie Marries, Secretary

Date

LeRoy Gilbertson, Director

Date